



ANNUAL STATEMENT  
FOR THE YEAR ENDING DECEMBER 31, 2008  
OF THE CONDITION AND AFFAIRS OF THE

Health Alliance Plan of Michigan

NAIC Group Code	1311 <small>(Current Period)</small>	1311 <small>(Prior Period)</small>	NAIC Company Code	95844	Employer's ID Number	38-2242827
Organized under the Laws of	Michigan			State of Domicile or Port of Entry	Michigan	
Country of Domicile	United States					
Licensed as business type:	Life, Accident & Health [ ]      Property/Casualty [ ]      Dental Service Corporation [ ] Vision Service Corporation [ ]      Other [ ]      Health Maintenance Organization [ X ] Hospital, Medical & Dental Service or Indemnity [ ]      Is HMO, Federally Qualified? Yes [ X ] No [ ]					
Incorporated/Organized	06/27/1978			Commenced Business	02/08/1979	
Statutory Home Office	2850 West Grand Boulevard <small>(Street and Number)</small>			Detroit, MI 48202 <small>(City or Town, State and Zip Code)</small>		
Main Administrative Office	2850 West Grand Boulevard <small>(Street and Number)</small> Detroit, MI 48202 <small>(City or Town, State and Zip Code)</small> 313-872-8100 <small>(Area Code) (Telephone Number)</small>					
Mail Address	2850 West Grand Boulevard <small>(Street and Number or P.O. Box)</small>			Detroit, MI 48202 <small>(City or Town, State and Zip Code)</small>		
Primary Location of Books and Records	2850 West Grand Boulevard <small>(Street and Number)</small> Detroit, MI 48202 <small>(City or Town, State and Zip Code)</small> 248-443-1093 <small>(Area Code) (Telephone Number)</small>					
Internet Web Site Address	www.hap.org					
Statutory Statement Contact	Dianna Ronan CPA <small>(Name)</small> dronan@hap.org <small>(E-Mail Address)</small>			248-443-1093 <small>(Area Code) (Telephone Number) (Extension)</small> 248-443-8610 <small>(FAX Number)</small>		

OFFICERS

Name	Title	Name	Title
Nicholas C Anderson	Chairman	Ronald W Berry	Treasurer
Maurice E McMurray	Secretary		

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Nicholas C Anderson	Marvin Beatty #	MaryBeth Bolton MD	Mary E Bunn
William A Conway MD	John T Gargaro	Jethro Joseph	Jackie Martin
William L Peirce	Richard Popp #	Carol Quigley IHM	Catherine A Roberts
Robin Scales-Wooten	Nancy Schlichting	Rebecca R Smith	Susan Wells
Karen Wezner			

State of Michigan.  
County of Wayne.

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The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices* and *Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Nicholas C Anderson Chairman	Ronald W Berry Treasurer	Maurice E McMurray Secretary
Subscribed and sworn to before me this day of ,		a. Is this an original filing? Yes [ X ] No [ ] b. If no: 1. State the amendment number 0 2. Date filed 3. Number of pages attached 0
Roderick Irwin Curry, Notary August 14 2013		

ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Health Alliance Plan of Michigan

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	.0		.0	.0
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	.0		.0	.0
2.2 Common stocks .....	115,451,688	38,137,774	77,313,915	134,484,719
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....			.0	.0
3.2 Other than first liens .....			.0	.0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ ..... encumbrances).....	2,374,378	1,549,121	825,258	854,375
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....			.0	.0
4.3 Properties held for sale (less \$ ..... encumbrances) .....			.0	.0
5. Cash (\$ .....(10,562,587) , Schedule E-Part 1), cash equivalents (\$ .....64,500,000 , Schedule E-Part 2) and short-term investments (\$ .....145,419,221 , Schedule DA).....	199,356,634		199,356,634	177,710,520
6. Contract loans (including \$ .....premium notes)			.0	.0
7. Other invested assets (Schedule BA) .....	23,121,921	.0	23,121,921	64,591,503
8. Receivables for securities .....			.0	.0
9. Aggregate write-ins for invested assets .....	1,189,862	.0	1,189,862	981,172
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	341,494,483	39,686,894	301,807,589	378,622,289
11. Title plants less \$ .....charged off (for Title Insurers only) .....			.0	.0
12. Investment income due and accrued .....	414,047		414,047	1,295,101
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection .....	15,155,726		15,155,726	16,574,327
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ .....earned but unbilled premium).....			.0	.0
13.3 Accrued retrospective premiums.....			.0	.0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers .....			.0	.0
14.2 Funds held by or deposited with reinsured companies .....			.0	.0
14.3 Other amounts receivable under reinsurance contracts .....			.0	.0
15. Amounts receivable relating to uninsured plans .....	95,363		95,363	.0
16.1 Current federal and foreign income tax recoverable and interest thereon .....			.0	.0
16.2 Net deferred tax asset.....			.0	.0
17. Guaranty funds receivable or on deposit .....			.0	.0
18. Electronic data processing equipment and software.....	14,326,925	13,512,460	814,465	602,156
19. Furniture and equipment, including health care delivery assets (\$ .....)	1,104,119	1,104,119	.0	.0
20. Net adjustment in assets and liabilities due to foreign exchange rates .....			.0	.0
21. Receivables from parent, subsidiaries and affiliates .....	1,194,302		1,194,302	1,385,561
22. Health care (\$ .....3,068,721 ) and other amounts receivable.....	3,068,721		3,068,721	3,125,735
23. Aggregate write-ins for other than invested assets .....	7,645,967	6,967,027	678,940	933,815
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	384,499,653	61,270,501	323,229,153	402,538,985
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
26. Total (Lines 24 and 25)	384,499,653	61,270,501	323,229,153	402,538,985
DETAILS OF WRITE-INS				
0901. Rabbi Trust.....	1,189,862		1,189,862	981,172
0902. ....			.0	.0
0903. ....			.0	.0
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.0	.0	.0	.0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	1,189,862	0	1,189,862	981,172
2301. Goodwill.....	5,192,965	5,192,965	.0	.0
2302. Prepaid Expense.....	1,774,062	1,774,062	.0	.0
2303. Deferred Compensation.....	618,244		618,244	745,837
2398. Summary of remaining write-ins for Line 23 from overflow page .....	60,695	.0	60,695	187,978
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	7,645,967	6,967,027	678,940	933,815

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ ..... reinsurance ceded)	107,945,171	2,010,136	109,955,307	109,337,148
2. Accrued medical incentive pool and bonus amounts	2,494,950		2,494,950	2,480,446
3. Unpaid claims adjustment expenses	777,711		777,711	876,042
4. Aggregate health policy reserves	1,237,757		1,237,757	4,377,867
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance	12,945,144		12,945,144	18,071,800
9. General expenses due or accrued	14,476,971		14,476,971	14,605,573
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized capital gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittances and items not allocated			0	0
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	378,709		378,709	709,158
16. Payable for securities	284,161		284,161	477,035
17. Funds held under reinsurance treaties (with \$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans			0	1,946,281
21. Aggregate write-ins for other liabilities (including \$ ..... current)	4,454,471	0	4,454,471	10,757,036
22. Total liabilities (Lines 1 to 21)	144,995,044	2,010,136	147,005,180	163,638,385
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX		0
25. Preferred capital stock	XXX	XXX		0
26. Gross paid in and contributed surplus	XXX	XXX		0
27. Surplus notes	XXX	XXX		0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	0	0
29. Unassigned funds (surplus)	XXX	XXX	176,223,972	238,900,600
30. Less treasury stock, at cost:				
30.1 .....shares common (value included in Line 24 \$ ..... )	XXX	XXX		0
30.2 .....shares preferred (value included in Line 25 \$ ..... )	XXX	XXX		0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	176,223,972	238,900,600
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	323,229,153	402,538,985
DETAILS OF WRITE-INS				
2101. Pension Liability - Long Term	2,861,776		2,861,776	8,953,956
2102. Retiree Health Benefits	974,450		974,450	1,057,243
2103. Deferred Compensation	618,244		618,244	745,837
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)	4,454,471	0	4,454,471	10,757,036
2301. ....	XXX	XXX		0
2302. ....	XXX	XXX		0
2303. ....	XXX	XXX		0
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801. ....	XXX	XXX		
2802. ....	XXX	XXX		
2803. ....	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	4,689,473	4,882,616
2. Net premium income (including \$ ..... non-health premium income).....	XXX	1,655,116,487	1,611,524,843
3. Change in unearned premium reserves and reserve for rate credits .....	XXX		0
4. Fee-for-service (net of \$ ..... medical expenses) .....	XXX		0
5. Risk revenue .....	XXX		0
6. Aggregate write-ins for other health care related revenues .....	XXX	0	0
7. Aggregate write-ins for other non-health revenues .....	XXX	(15,619)	8,320
8. Total revenues (Lines 2 to 7) .....	XXX	1,655,100,868	1,611,533,163
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....		1,086,863,068	1,054,050,503
10. Other professional services .....			0
11. Outside referrals .....		46,282,444	42,961,157
12. Emergency room and out-of-area .....		147,816,797	138,956,288
13. Prescription drugs .....		233,339,216	238,983,130
14. Aggregate write-ins for other hospital and medical .....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		2,494,950	2,597,220
16. Subtotal (Lines 9 to 15) .....	0	1,516,796,475	1,477,548,298
<b>Less:</b>			
17. Net reinsurance recoveries .....			0
18. Total hospital and medical (Lines 16 minus 17) .....	0	1,516,796,475	1,477,548,298
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$ .....6,791,224 cost containment expenses.....		15,319,452	14,380,243
21. General administrative expenses.....		100,529,482	99,402,501
22. Increase in reserves for life and accident and health contracts (including \$ ..... increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22) .....	0	1,632,645,409	1,591,331,042
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	22,455,460	20,202,121
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		1,402,036	15,119,852
26. Net realized capital gains (losses) less capital gains tax of \$ .....		(4,530,460)	25,273
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	(3,128,424)	15,145,125
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....			0
29. Aggregate write-ins for other income or expenses .....	0	148,929	540,896
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	19,475,964	35,888,141
31. Federal and foreign income taxes incurred .....	XXX		0
32. Net income (loss) (Lines 30 minus 31) .....	XXX	19,475,964	35,888,141
<b>DETAILS OF WRITE-INS</b>			
0601. ....	XXX		0
0602. ....	XXX		0
0603. ....	XXX		0
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) .....	XXX	0	0
0701. Gain/(Loss) on Sale of Fixed Assets.....	XXX	(15,619)	8,320
0702. ....	XXX		
0703. ....	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page .....	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above) .....	XXX	(15,619)	8,320
1401. ....			0
1402. ....			0
1403. ....			0
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) .....	0	0	0
2901. CIGNA Miscellaneous Revenues.....		148,929	540,896
2902. ....			0
2903. ....			0
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) .....	0	148,929	540,896

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
<b>CAPITAL &amp; SURPLUS ACCOUNT</b>		
33. Capital and surplus prior reporting year .....	238,900,600	242,352,253
34. Net income or (loss) from Line 32 .....	19,475,964	35,888,141
35. Change in valuation basis of aggregate policy and claim reserves .....		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....	(10,929,190)	1,411,482
37. Change in net unrealized foreign exchange capital gain or (loss) .....		0
38. Change in net deferred income tax .....		0
39. Change in nonadmitted assets .....	(35,423,402)	4,248,724
40. Change in unauthorized reinsurance .....	0	0
41. Change in treasury stock .....	0	0
42. Change in surplus notes .....	0	0
43. Cumulative effect of changes in accounting principles .....		0
44. Capital Changes:		
44.1 Paid in .....	0	0
44.2 Transferred from surplus (Stock Dividend) .....		0
44.3 Transferred to surplus .....		0
45. Surplus adjustments:		
45.1 Paid in .....	0	0
45.2 Transferred to capital (Stock Dividend) .....	0	0
45.3 Transferred from capital .....		0
46. Dividends to stockholders .....	(35,800,000)	(45,000,000)
47. Aggregate write-ins for gains or (losses) in surplus .....	0	0
48. Net change in capital & surplus (Lines 34 to 47) .....	(62,676,628)	(3,451,653)
49. Capital and surplus end of reporting period (Line 33 plus 48)	176,223,972	238,900,600
<b>DETAILS OF WRITE-INS</b>		
4701. ....		0
4702. ....		0
4703. ....		0
4798. Summary of remaining write-ins for Line 47 from overflow page .....	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	0

CASH FLOW

Cash from Operations		1 Current Year	2 Prior Year
1. Premiums collected net of reinsurance.....		1,651,408,432	1,614,533,527
2. Net investment income .....		9,944,443	14,435,750
3. Miscellaneous income .....		276,211	479,105
4. Total (Lines 1 through 3) .....		1,661,629,086	1,629,448,382
5. Benefit and loss related payments .....		1,516,163,811	1,465,793,981
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....			.0
7. Commissions, expenses paid and aggregate write-ins for deductions .....		113,887,043	100,869,053
8. Dividends paid to policyholders .....			.0
9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses) .....		0	0
10. Total (Lines 5 through 9) .....		1,630,050,855	1,566,663,034
11. Net cash from operations (Line 4 minus Line 10) .....		31,578,231	62,785,348
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds .....		.0	.0
12.2 Stocks .....		241,432,348	90,512
12.3 Mortgage loans .....		.0	.0
12.4 Real estate .....		.0	.0
12.5 Other invested assets .....		34,254,706	116,146
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....		.0	.0
12.7 Miscellaneous proceeds .....		0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....		275,687,054	206,658
13. Cost of investments acquired (long-term only):			
13.1 Bonds .....		.0	.0
13.2 Stocks .....		199,503,890	5,230,985
13.3 Mortgage loans .....		.0	.0
13.4 Real estate .....		.0	.0
13.5 Other invested assets .....		.0	65,813
13.6 Miscellaneous applications .....		636,003	62,490
13.7 Total investments acquired (Lines 13.1 to 13.6) .....		200,139,893	5,359,288
14. Net increase (decrease) in contract loans and premium notes .....		.0	.0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) .....		75,547,162	(5,152,630)
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes .....		.0	.0
16.2 Capital and paid in surplus, less treasury stock .....		.0	.0
16.3 Borrowed funds .....		.0	(236,223)
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....			.0
16.5 Dividends to stockholders .....		35,800,000	45,000,000
16.6 Other cash provided (applied) .....		(49,679,279)	(5,905,906)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....		(85,479,279)	(51,142,129)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Line 15 plus Line 17) .....		21,646,114	6,490,589
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year .....		177,710,520	171,219,931
19.2 End of year (Line 18 plus Line 19.1) .....		199,356,634	177,710,520

## ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical) .....	1,285,731,999			1,285,731,999
2. Medicare Supplement .....				.0
3. Dental Only.....				.0
4. Vision Only.....				.0
5. Federal Employees Health Benefits Plan .....	86,986,166			86,986,166
6. Title XVIII - Medicare .....	282,398,322			282,398,322
7. Title XIX - Medicaid.....				.0
8. Other health.....				.0
9. Health subtotal (Lines 1 through 8) .....	1,655,116,487	.0	.0	1,655,116,487
10. Life .....				.0
11. Property/casualty.....				.0
12. Totals (Lines 9 to 11)	1,655,116,487	0	0	1,655,116,487



STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2008 OF THE Health Alliance Plan of Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 – CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non- Health
1. Payments during the year:										
1.1 Direct .....	1,513,683,365	1,163,978,347				87,736,353	261,968,665			
1.2 Reinsurance assumed .....	0									
1.3 Reinsurance ceded .....	0									
1.4 Net .....	1,513,683,365	1,163,978,347	0	0	0	87,736,353	261,968,665	0	0	0
2. Paid medical incentive pools and bonuses .....	2,480,446	2,480,446								
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct .....	109,955,307	98,526,794	0	0	0	3,991,457	7,437,056	0	0	0
3.3 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
3.4 Net .....	109,955,307	98,526,794	0	0	0	3,991,457	7,437,056	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct .....	0									
4.2 Reinsurance assumed .....	0									
4.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	
4.4 Net .....	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year .....	2,494,950	2,494,950								
6. Net healthcare receivables (a).....	0									
7. Amounts recoverable from reinsurers December 31, current year .....	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct .....	109,337,148	100,074,479	0	0	0	4,854,726	4,407,943	0	0	0
8.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
8.4 Net .....	109,337,148	100,074,479	0	0	0	4,854,726	4,407,943	0	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct .....	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
9.4 Net .....	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year.....	2,480,446	2,480,446	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year .....	0	0	0	0	0	0	0	0	0	0
12. Incurred benefits:										
12.1 Direct .....	1,514,301,524	1,162,430,662	0	0	0	86,873,084	264,997,778	0	0	0
12.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
12.4 Net .....	1,514,301,524	1,162,430,662	0	0	0	86,873,084	264,997,778	0	0	0
13. Incurred medical incentive pools and bonuses .....	2,494,950	2,494,950	0	0	0	0	0	0	0	0

(a) Excludes \$ ..... loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1. Direct .....	20,099,779	17,863,301				600,963	1,635,515			
1.2. Reinsurance assumed .....	.0									
1.3. Reinsurance ceded .....	.0									
1.4. Net .....	20,099,779	17,863,301	.0	.0	.0	600,963	1,635,515	.0	.0	.0
2. Incurred but Unreported:										
2.1. Direct .....	71,298,469	63,365,178				2,131,750	5,801,541			
2.2. Reinsurance assumed .....	.0									
2.3. Reinsurance ceded .....	.0									
2.4. Net .....	71,298,469	63,365,178	.0	.0	.0	2,131,750	5,801,541	.0	.0	.0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1. Direct .....	18,557,059	17,298,315				1,258,744				
3.2. Reinsurance assumed .....	.0									
3.3. Reinsurance ceded .....	.0									
3.4. Net .....	18,557,059	17,298,315	.0	.0	.0	1,258,744	.0	.0	.0	.0
4. TOTALS:										
4.1. Direct .....	109,955,307	98,526,794	.0	.0	.0	3,991,457	7,437,056	.0	.0	.0
4.2. Reinsurance assumed .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.3. Reinsurance ceded .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.4. Net .....	109,955,307	98,526,794	0	0	0	3,991,457	7,437,056	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5  Claims Incurred in Prior Years (Columns 1 + 3)	6  Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1  On Claims Incurred Prior to January 1 of Current Year	2  On Claims Incurred During the Year	3  On Claims Unpaid December 31 of Prior Year	4  On Claims Incurred During the Year		
1. Comprehensive (hospital and medical) .....	67,003,563	1,096,974,784	16,076,464	82,450,330	83,080,027	100,074,479
2. Medicare Supplement .....					.0	.0
3. Dental Only.....					.0	.0
4. Vision Only.....					.0	.0
5. Federal Employees Health Benefits Plan .....	4,508,466	83,227,887	598,759	3,392,698	5,107,225	4,854,726
6. Title XVIII - Medicare .....	3,917,910	258,050,755	193,463	7,243,593	4,111,373	4,407,943
7. Title XIX - Medicaid.....					.0	.0
8. Other health .....					.0	.0
9. Health subtotal (Lines 1 to 8).....	75,429,939	1,438,253,426	16,868,686	93,086,621	92,298,625	109,337,148
10. Healthcare receivables (a).....					.0	
11. Other non-health.....					.0	.0
12. Medical incentive pools and bonus amounts .....	2,480,446			2,494,950	2,480,446	2,480,446
13. Totals (Lines 9-10+11+12)	77,910,385	1,438,253,426	16,868,686	95,581,571	94,779,071	111,817,594

(a) Excludes \$ .....loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A – Paid Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....	2,023,805	1,060,618	0	0	
2. 2004 .....	1,033,516	1,099,350	1,098,083	0	
3. 2005 .....	XXX	1,090,672	1,143,088	1,142,175	
4. 2006 .....	XXX	XXX	1,097,265	1,173,174	1,172,811
5. 2007 .....	XXX	XXX	XXX	1,077,727	1,145,094
6. 2008 .....	XXX	XXX	XXX	XXX	1,099,455

Section B – Incurred Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....	1,056,281	1,060,406			
2. 2004 .....	1,124,300	1,111,653	1,098,086		
3. 2005 .....	XXX	1,157,797	1,149,804	1,142,171	
4. 2006 .....	XXX	XXX	1,183,766	1,180,883	1,172,804
5. 2007 .....	XXX	XXX	XXX	1,172,577	1,161,177
6. 2008 .....	XXX	XXX	XXX	XXX	1,184,401

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payments	3  Claim Adjustment Expense Payments	4  Col. (3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col 2+3)	6  Col. (5/1) Percent	7  Claims Unpaid	8  Unpaid Claim Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  Col. (9/1) Percent
1. 2004 .....	1,230,405	0		0.0	0	0.0			0	0.0
2. 2005 .....	1,263,228	0		0.0	0	0.0			0	0.0
3. 2006 .....	1,288,182	1,172,811	11,535	1.0	1,184,346	91.9	(7)	0	1,184,339	91.9
4. 2007 .....	1,270,271	1,145,094	11,487	1.0	1,156,580	91.0	16,083	40	1,172,704	92.3
5. 2008 .....	1,285,732	1,099,455	6,992	0.6	1,106,447	86.1	84,945	657	1,192,049	92.7

Pt 2C - Sn A - Paid Claims - MS

NONE

Pt 2C - Sn A - Paid Claims - DO

NONE

Pt 2C - Sn A - Paid Claims - VO

NONE

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A – Paid Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....	117,729	.60,879	.0	.0	
2. 2004 .....	.62,673	.66,377	.66,287	.0	
3. 2005 .....	XXX	.68,401	.72,118	.72,055	
4. 2006 .....	XXX	XXX	.87,145	.92,351	.92,327
5. 2007 .....	XXX	XXX	XXX	.83,711	.88,244
6. 2008 .....	XXX	XXX	XXX	XXX	83,228

Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....	.60,584	.60,878			
2. 2004 .....	.66,261	.67,036	.66,291		
3. 2005 .....	XXX	.72,060	.72,444	.72,057	
4. 2006 .....	XXX	XXX	.91,139	.92,709	.92,328
5. 2007 .....	XXX	XXX	XXX	.88,206	.88,841
6. 2008 .....	XXX	XXX	XXX	XXX	86,621

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Federal Employees Health Benefits Plan Premium

Years in which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claim Payments	Claim Adjustment Expense Payments	Col. (3/2) Percent	Claim and Claim Adjustment Expense Payments (Col 2+3)	Col. (5/1) Percent	Claims Unpaid	Unpaid Claim Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	Col. (9/1) Percent
1. 2004.....	.73,075	.0		.0	.0	.0			.0	.0
2. 2005.....	.80,990	.0		.0	.0	.0			.0	.0
3. 2006.....	.90,897	.92,327	.895	1.0	.93,222	102.6	.2	.0	.93,224	102.6
4. 2007.....	.89,502	.88,244	.872	1.0	.89,117	.99.6	.597	.1	.89,715	100.2
5. 2008 .....	86,986	83,228	.522	0.6	83,750	96.3	3,393	27	87,169	100.2

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Medicare

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....	246,696	119,357	.....0	.....0	.....
2. 2004.....	121,057	121,806	121,804	.....0	.....
3. 2005.....	XXX	151,498	151,559	151,529	.....
4. 2006.....	XXX	XXX	188,599	191,073	191,052
5. 2007.....	XXX	XXX	XXX	221,772	225,711
6. 2008.....	XXX	XXX	XXX	XXX	258,051

Section B - Incurred Health Claims - Medicare

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....	119,268	119,344	.....	.....	.....
2. 2004.....	121,910	121,821	121,804	.....	.....
3. 2005.....	XXX	151,606	151,559	151,529	.....
4. 2006.....	XXX	XXX	191,118	191,296	191,055
5. 2007.....	XXX	XXX	XXX	225,957	225,901
6. 2008.....	XXX	XXX	XXX	XXX	265,294

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claim Payments	3  Claim Adjustment Expense Payments	4  Col. (3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col 2+3)	6  Col. (5/1) Percent	7  Claims Unpaid	8  Unpaid Claim Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  Col. (9/1) Percent
1. 2004.....	138,552	.....0	.....	.....0.0	.....0	.....0.0	.....	.....	.....0	.....0.0
2. 2005.....	163,022	.....0	.....	.....0.0	.....0	.....0.0	.....	.....	.....0	.....0.0
3. 2006.....	208,161	191,052	2,031	.....1.1	193,083	.....92.8	.....3	.....0	193,086	.....92.8
4. 2007.....	251,751	225,711	2,392	.....1.1	228,103	.....90.6	.....191	.....1	228,295	.....90.7
5. 2008.....	282,398	258,051	1,602	.....0.6	259,653	.....91.9	7,244	52	266,948	.....94.5

Pt 2C - Sn A - Paid Claims - XI

NONE

Pt 2C - Sn A - Paid Claims - OT

NONE



UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....	2,388,199	1,240,854	0	0	0
2. 2004 .....	1,217,318	1,287,604	1,286,175	0	0
3. 2005 .....	XXX	1,310,571	1,366,836	1,365,760	0
4. 2006 .....	XXX	XXX	1,373,009	1,456,599	1,456,190
5. 2007 .....	XXX	XXX	XXX	1,383,210	1,459,049
6. 2008 .....	XXX	XXX	XXX	XXX	1,440,734

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2004	2 2005	3 2006	4 2007	5 2008
1. Prior .....	1,236,173	1,240,595	0	0	0
2. 2004 .....	1,312,471	1,300,583	1,286,252	0	0
3. 2005 .....	XXX	1,381,463	1,373,807	1,365,828	0
4. 2006 .....	XXX	XXX	1,466,024	1,464,888	1,456,187
5. 2007 .....	XXX	XXX	XXX	1,486,740	1,475,920
6. 2008 .....	XXX	XXX	XXX	XXX	1,536,315

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claim Payments	3  Claim Adjustment Expense Payments	4  Col. (3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col 2+3)	6  Col. (5/1) Percent	7  Claims Unpaid	8  Unpaid Claim Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  Col. (9/1) Percent
1. 2004 .....	1,442,032	0	0	0.0	0	0.0	0	0	0	0.0
2. 2005 .....	1,507,240	0	0	0.0	0	0.0	0	0	0	0.0
3. 2006 .....	1,587,240	1,456,190	14,462	1.0	1,470,651	92.7	(2)	0	1,470,649	92.7
4. 2007 .....	1,611,525	1,459,049	14,751	1.0	1,473,800	91.5	16,871	42	1,490,714	92.5
5. 2008 .....	1,655,116	1,440,734	9,116	0.6	1,449,849	87.6	95,582	735	1,546,166	93.4

Pt 2C - Sn B - Incurred Claims - MS

NONE

Pt 2C - Sn B - Incurred Claims - DO

NONE

Pt 2C - Sn B - Incurred Claims - VO

NONE

Pt 2C - Sn B - Incurred Claims - XI

NONE

Pt 2C - Sn B - Incurred Claims - OT

NONE

Part 2C - Sn C - Claims Expense Ratio MS

NONE

Part 2C - Sn C - Claims Expense Ratio DO

NONE

Part 2C - Sn C - Claims Expense Ratio VO

NONE

Part 2C - Sn C - Claims Expense Ratio XI

NONE

Part 2C - Sn C - Claims Expense Ratio OT

NONE

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	.0								
2. Additional policy reserves (a).....	.0								
3. Reserve for future contingent benefits.....	.0								
4. Reserve for rate credits or experience rating refunds (including \$ ..... ) for investment income.....	1,237,757						1,237,757		
5. Aggregate write-ins for other policy reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (gross) .....	1,237,757	.0	.0	.0	.0	.0	1,237,757	.0	.0
7. Reinsurance ceded .....	.0								
8. Totals (Net) (Page 3, Line 4)	1,237,757	0	0	0	0	0	1,237,757	0	0
9. Present value of amounts not yet due on claims .....	.0								
10. Reserve for future contingent benefits .....	.0								
11. Aggregate write-ins for other claim reserves .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (Gross) .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded .....	.0								
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501. ....	.0								
0502. ....	.0								
0503. ....	.0								
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101. ....	.0								
1102. ....	.0								
1103. ....	.0								
1198. Summary of remaining write-ins for Line 11 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes \$ ..... premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT  
PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administration Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$ .....60,000 for occupancy of own building).....	93,948	262,477	1,894,223		2,250,648
2. Salaries, wages and other benefits.....	4,891,790	4,551,630	51,107,361		60,550,781
3. Commissions (less \$ .....ceded plus \$ .....0 assumed.....			6,885,461		6,885,461
4. Legal fees and expenses.....			(228,624)		(228,624)
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	1,428		1,795,273		1,796,701
7. Traveling expenses.....	8,243	14,086	390,028		412,357
8. Marketing and advertising.....	79,392	14,108	13,050,401		13,143,901
9. Postage, express and telephone.....	11,460	15,808	3,722,456		3,749,724
10. Printing and office supplies.....	3,569	4,040	148,529		156,138
11. Occupancy, depreciation and amortization.....	29,350	91,448	2,730,676		2,851,474
12. Equipment.....			227,051		227,051
13. Cost or depreciation of EDP equipment and software.....	462,520	831,794	10,990,995		12,285,309
14. Outsourced services including EDP, claims, and other services.....	241,411	671,537	8,716,140		9,629,088
15. Boards, bureaus and association fees.....	1,295		669,418		670,713
16. Insurance, except on real estate.....			414,638		414,638
17. Collection and bank service charges.....			518,156		518,156
18. Group service and administration fees.....					0
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....			67,591		67,591
22. Real estate taxes.....			36,826		36,826
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....					0
23.3 Regulatory authority licenses and fees.....			11,532		11,532
23.4 Payroll taxes.....	295,181	268,946	2,867,687		3,431,814
23.5 Other (excluding federal income and real estate taxes).....					0
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	671,637	1,802,354	(5,486,336)	0	(3,012,345)
26. Total expenses incurred (Lines 1 to 25).....	6,791,224	8,528,228	100,529,482	0 <sup>(a)</sup>	115,848,934
27. Less expenses unpaid December 31, current year.....		777,711	14,476,971		15,254,682
28. Add expenses unpaid December 31, prior year.....	0	876,042	14,605,573	0	15,481,615
29. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	6,791,224	8,626,559	100,658,084	0	116,075,867
DETAIL OF WRITE-INS					
2501. Miscellaneous.....	671,637	1,802,354	(5,486,336)		(3,012,345)
2502. ....					0
2503. ....					0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 + 2598) (Line 25 above)	671,637	1,802,354	(5,486,336)	0	(3,012,345)

(a) Includes management fees of \$ .....721,677 to affiliates and \$ .....to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds .....	(a).....	.....
1.1	Bonds exempt from U.S. tax .....	(a).....	.....
1.2	Other bonds (unaffiliated) .....	(a).....	.....
1.3	Bonds of affiliates .....	(a).....0	.....
2.1	Preferred stocks (unaffiliated) .....	(b).....0	.....
2.11	Preferred stocks of affiliates .....	(b).....0	.....
2.2	Common stocks (unaffiliated) .....	.....9,204,102	.....9,011,227
2.21	Common stocks of affiliates .....	.....0	.....
3.	Mortgage loans .....	(c).....	.....
4.	Real estate .....	(d).....	.....
5.	Contract loans.....	.....	.....
6.	Cash, cash equivalents and short-term investments .....	(e).....1,563,078	.....930,021
7.	Derivative instruments .....	(f).....	.....
8.	Other invested assets .....	.....(7,205,059)	.....(7,206,385)
9.	Aggregate write-ins for investment income .....	.....0	.....0
10.	Total gross investment income .....	.....3,562,122	.....2,734,863
11.	Investment expenses .....		(g).....
12.	Investment taxes, licenses and fees, excluding federal income taxes .....		(g).....
13.	Interest expense .....		(h).....903,486
14.	Depreciation on real estate and other invested assets .....		(i).....429,342
15.	Aggregate write-ins for deductions from investment income .....		.....0
16.	Total deductions (Lines 11 through 15) .....		.....1,332,828
17.	Net investment income (Line 10 minus Line 16) .....		.....1,402,036
DETAILS OF WRITE-INS			
0901.	.....	.....	.....
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above) .....	.....0	.....0
1501.	.....		
1502.	.....		
1503.	.....		
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599.	Totals (Lines 1501 through 1503) plus 1598 (Line 15, above) .....		.....0

(a) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ .....0 paid for accrued interest on purchases.  
(b) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ .....0 paid for accrued dividends on purchases.  
(c) Includes \$ .....0 accrual of discount less \$ .....0 amortization of premium and less \$ ..... paid for accrued interest on purchases.  
(d) Includes \$ ..... for company's occupancy of its own buildings; and excludes \$ ..... interest on encumbrances.  
(e) Includes \$ ..... accrual of discount less \$ ..... amortization of premium and less \$ ..... paid for accrued interest on purchases.  
(f) Includes \$ ..... accrual of discount less \$ ..... amortization of premium.  
(g) Includes \$ ..... investment expenses and \$ ..... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.  
(h) Includes \$ ..... interest on surplus notes and \$ ..... interest on capital notes.  
(i) Includes \$ .....429,342 depreciation on real estate and \$ ..... depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds .....	.....	.....	.....0	.....	.....
1.1	Bonds exempt from U.S. tax .....	.....	.....	.....0	.....	.....
1.2	Other bonds (unaffiliated) .....	.....	.....	.....0	.....	.....
1.3	Bonds of affiliates .....	.....0	.....0	.....0	.....0	.....0
2.1	Preferred stocks (unaffiliated) .....	.....0	.....0	.....0	.....0	.....0
2.11	Preferred stocks of affiliates .....	.....0	.....0	.....0	.....0	.....0
2.2	Common stocks (unaffiliated) .....	.....(1,562,235)	.....(2,974,757)	.....(4,536,992)	.....(1,123,888)	.....0
2.21	Common stocks of affiliates .....	.....0	.....0	.....0	.....(9,581,467)	.....0
3.	Mortgage loans .....	.....0	.....0	.....0	.....0	.....0
4.	Real estate .....	.....0	.....0	.....0	.....	.....0
5.	Contract loans .....	.....	.....	.....0	.....	.....
6.	Cash, cash equivalents and short-term investments .....	.....	.....	.....0	.....	.....
7.	Derivative instruments .....	.....	.....	.....0	.....	.....
8.	Other invested assets .....	.....1,136,702	.....0	.....1,136,702	.....(8,351,577)	.....0
9.	Aggregate write-ins for capital gains (losses) .....	.....6,532	.....0	.....6,532	.....(240,970)	.....0
10.	Total capital gains (losses) .....	.....(419,001)	.....(2,974,757)	.....(3,393,758)	.....(19,297,902)	.....0
DETAILS OF WRITE-INS						
0901.	Rabbi Trust.....	.....6,532	.....	.....6,532	.....(240,970)	.....
0902.	.....	.....	.....	.....0	.....	.....
0903.	.....	.....	.....	.....0	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0	.....0	.....0	.....0
0999.	Totals (Lines 0901 through 0903) plus 0998 (Line 9, above) .....	.....6,532	.....0	.....6,532	.....(240,970)	.....0



EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks .....	0	0	0
2.2 Common stocks .....	38,137,774	0	(38,137,774)
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....	0	0	0
3.2 Other than first liens .....	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....	1,549,121	1,789,889	240,768
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale .....	0	0	0
5. Cash, (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans .....	0	0	0
7. Other invested assets (Schedule BA) .....	0	0	0
8. Receivables for securities .....	0	0	0
9. Aggregate write-ins for invested assets .....	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9) .....	39,686,894	1,789,889	(37,897,006)
11. Title plants (for Title insurers only).....	0	0	0
12. Investment income due and accrued .....	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection .....	0	0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
13.3 Accrued retrospective premiums.....	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers .....	0	0	0
14.2 Funds held by or deposited with reinsured companies .....	0	0	0
14.3 Other amounts receivable under reinsurance contracts .....	0	0	0
15. Amounts receivable relating to uninsured plans .....	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon .....	0	0	0
16.2 Net deferred tax asset.....	0	0	0
17. Guaranty funds receivable or on deposit .....	0	0	0
18. Electronic data processing equipment and software.....	13,512,460	13,292,422	(220,038)
19. Furniture and equipment, including health care delivery assets .....	1,104,119	1,450,063	345,944
20. Net adjustment in assets and liabilities due to foreign exchange rates .....	0	0	0
21. Receivables from parent, subsidiaries and affiliates .....	0	0	0
22. Health care and other amounts receivable.....	0	0	0
23. Aggregate write-ins for other than invested assets .....	6,967,027	9,314,725	2,347,698
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	61,270,501	25,847,099	(35,423,402)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	61,270,501	25,847,099	(35,423,402)
DETAILS OF WRITE-INS			
0901. ....	0	0	0
0902. ....	0	0	0
0903. ....	0	0	0
0998. Summary of remaining write-ins for Line 9 from overflow page .....	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	0	0	0
2301. Prepaid Expenses.....	1,774,062	1,725,008	(49,055)
2302. Goodwill .....	5,192,965	7,589,718	2,396,753
2303. ....	0	0	0
2398. Summary of remaining write-ins for Line 23 from overflow page .....	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	6,967,027	9,314,725	2,347,698

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	400,317	392,685	393,552	387,849	383,405	4,689,473
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.0					
4. Point of Service.....	.0					
5. Indemnity Only.....	.0					
6. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0	.0	.0
7. Total	400,317	392,685	393,552	387,849	383,405	4,689,473
DETAILS OF WRITE-INS						
0601. ....	.0					
0602. ....	.0					
0603. ....	.0					
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Accounting Practices - The accompanying financial statements of Health Alliance Plan of Michigan(the Corporation) have been prepared in accordance with the *NAIC Accounting Practices and Procedures Manual(NAPPM)* and the NAIC Annual Statement Instructions (NASI) to the extent that the accounting practices, procedures and reporting standards are not modified by the Michigan Insurance Code or the Forms and Instructions for Required Filings in Michigan.
- B. Use of Estimates in the Preparation of the Financial Statements - The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the statutory financial statements. Estimates also affect the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates.
- C. Accounting Policy - Subscriptions revenue received in advance of the respective period of coverage are credited to income ratably over the period of coverage. Health policy claims consists of unpaid medical claims and other obligations resulting from the provision of health care services. It includes claims reported as of the balance sheet date and estimates, based on historical claims experience, for claims incurred but not reported.
- (1) Short-term investments are stated either at market value or at amortized cost based on the underlying security.
  - (2) Bonds are recorded at amortized cost, which approximates market value.
  - (3) Common stocks are carried at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Corporation has an interest of 20% or more are carried on the equity basis.
  - (4) The Corporation owns no preferred stocks.
  - (5) The Corporation owns no mortgage loans.
  - (6) The Corporation owns no loan-backed securities.
  - (7) The Corporation's subsidiaries are included in the statement of admitted assets, liabilities, and net worth - statutory basis using the equity method of accounting. The related income or loss is reported as a direct charge to net worth.
  - (8) Investments in limited liability companies are carried on the equity basis at market value.
  - (9) The Corporation does not hold any derivative financial instruments.
  - (10) The Company anticipates investment income as a factor in the premium deficiency calculation in accordance with SSAP No. 54, Individual and Group Accident and Health Contracts. As of December 31, 2008, the Company is not required to report a premium deficiency reserve.
  - (11) The Corporation's method of estimating liabilities for unpaid medical claims are based on past experience, for claims incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.
  - (12) The Company has not modified its capitalization policy from the prior year.
  - (13) The Company's pharmaceutical rebate receivables are calculated using historical rebate trends and membership.

### 2. ACCOUNTING CHANGES AND CORRECTIONS OF ERROR

- A. Material changes in accounting principles and/or correction of errors - The Corporation has none to report.

### 3. BUSINESS COMBINATIONS AND GOODWILL

- A. The Company purchased a 100% interest of CuraNet, LLC on August 15, 2006. CuraNet, LLC is a regional network of hospitals and physicians serving Michigan, Northwest Ohio and Northern Indiana. The transaction was accounted for as a statutory purchase in accordance with SSAP No. 68, Business Combinations and Goodwill. Under the terms of the Purchase Agreement, the Corporation agreed to an initial purchase price not to exceed \$650,000.

### 4. DISCONTINUED OPERATIONS

The Corporation has no discontinued operations to report.

## NOTES TO FINANCIAL STATEMENTS

### 5. INVESTMENTS

- A. The Corporation has no investments in mortgage loans.
- B. The Corporation has no debt restructurings.
- C. The Corporation has no reverse mortgages.
- D. The Corporation has no loan-backed securities.
- E. The Corporation has no repurchase agreements.
- F. The Corporation has not recognized an impairment loss on its investments in real estate and has not sold or classified real estate investments as held for sale.
- G. The Corporation does not have investments in low-income housing tax credits.

### 6. JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

- A. The Corporation has a minor ownership interest in Western Assets US Limited Duration Fund, LLC, a limited liability company which isa portfolio that invests assets in investment grade debt and fixed income securities. The Corporation utilizes the audited GAAP equity method to account for its investment and its share of the portfolio's undistributed earnings are included in investment income. The fair value of the Corporation's investment as of December 31, 2008 is \$22,829,000.

### 7. INVESTMENT INCOME

The Corporation had no excluded investment income.

### 8. DERIVATIVE INSTRUMENTS

The Corporation does not hold any derivative instruments.

### 9. INCOME TAXES

- A-F. The Corporation is an entity described under Internal Revenue Code Section 501(c)(4) and as such is exempt from federal income taxes.

### 10. INFORMATION CONCERNING PARENT, SUBSIDIARIES AND AFFILIATES

- A. The Corporation has three wholly subsidiaries, HAP Preferred, Inc.(HPI), Alliance Health and Life Insurance Company(AHLIC) and CuraNet, LLC. The Corporation is a subsidiary of Henry Ford Health System(HFHS).
- B-C. The Corporation received subscription revenue from related parties totaling approximately \$132,982,000 and \$107,465,000 in 2008 and 2007, respectively. The Corporation purchased healthcare and administrative services from related parties totaling approximately \$607,314,000 and \$558,323,000 in 2008 and 2007, respectively.
- D. The Corporation has included in the balance sheet accounts the receivables and payables associated with subscription revenue received from related parties and health care services purchased from related parties. The Corporation has intercompany receivables of \$308,000, and \$886,000 from HPIand AHLIC respectively and, intercompany payables of \$54,000 and \$70,000 due to HPI and AHLIC, respectively. The Corporation also has an intercompany payable to HFHS of \$255,000. The terms of the settlement require that these amounts be settled within 15 days.
- E. The Corporation is a member of the Henry Ford Health System Obligated Group(the Obligated Group). As of December 31, 2008, members of the Obligated Group are jointly and severally liable for outstanding obligations having a carrying value of \$758,485,000 issued under the master indenture. The Obligated Group has guaranteed \$0 in indebtedness of other entities. Such amounts approximate the fair value of the obligations.
- F. The Corporation has management agreements with HPI, AHLIC and CuraNet, LLC. Under the terms of the agreement, the Corporation provides various administrative support and services. Services provided by the Corporation to HPI, AHLIC and CuraNet, LLC totaled approximately \$15,435,000 and \$14,756,000 in 2008 and 2007, respectively. Included in the statement of admitted assets, liabilities and capital and surplus are payables associated with healthcare services purchased from related parties totaling approximately \$4,075,000 and \$161,000 in 2008 and 2007, respectively. Receivables associated with healthcare services from related parties totaled \$1,140,000 in 2007.

NOTES TO FINANCIAL STATEMENTS

11. DEBT

The Corporation has no capital notes or debt.

The Corporation does not have any reverse repurchase agreements.

12. RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT PLANS

A. The corporation has a noncontributory defined benefit pension plan (the "Plan") covering substantially all of its employees. The benefits are based on years of service and final average earnings. The Corporation's funding policy is to fund an amount based on the recommendation of consulting actuaries that is in compliance with the requirements of the Employee Retirement Security Act of 1974. The Corporation also has a non-qualified Supplemental Executive Retirement Plan covering certain key executives.

The Corporation invests the majority of the assets of the Plan in a diversified portfolio consisting of an array of asset classes that attempts to maximize returns while minimizing volatility. The targeted allocation percentages are 60% common stock and 40% bonds and other fixed instruments. The percentage of the fair value of total plan assets held as of September 30, the measurement date, is shown below.

	2008	2007
Cash and money markets	4 %	10 %
Corporate bonds and bond funds	26	20
Common stock and preferred stock	54	60
U.S. government and agency issues	8	5
Alternative Investments	<u>8</u>	<u>5</u>
Total	<u>100 %</u>	<u>100 %</u>

The expected long-term rate of return on plan assets is established based on management's expectations of asset returns for the investment mix in the plans considering both historical experience and the current economic environment. The expected returns of various asset categories are blended to derive one long-term assumption.

For the years ended December 31, 2008 and 2007, the accumulated benefit obligation was \$42,213,000 and \$41,780,000, respectively.

The Corporation is expected to make a contribution to the Plan during 2009 in the amount of \$7,356,000.

The Corporation also provides postretirement healthcare and life insurance benefits to employees who meet minimum age and years of service requirements. Benefits to employees may require employee contributions or be provided in the form of a fixed dollar subsidy.

A summary of the changes in benefit obligations for the Pension and Other Postretirement Benefit Plans at December 31, 2008 and 2007 are as follows (dollars in thousands):

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2008	2007	2008	2007
Benefit obligation at beginning of year	\$53,081	\$ 51,900	\$ 591	\$ 589
Service cost	3,851	4,386	33	48
Interest cost	3,330	3,034	37	34
Amendments	(30)	(655)	142	-
Actuarial (gain) loss	(3,774)	(2,504)	(17)	(16)
Benefits paid	(4,301)	(2,839)	(105)	(64)
Other	<u>(399)</u>	<u>(241)</u>		
Benefit Obligation at end of year	<u>\$51,758</u>	<u>\$ 53,081</u>	<u>\$ 681</u>	<u>\$ 591</u>

NOTES TO FINANCIAL STATEMENTS

The following table sets forth the change in Plan assets and the funded status at December 31, 2008 and 2007 for the Plan (dollars in thousands):

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Fair value of Plan assets at beginning of year	\$37,015	\$ 34,237	\$	\$ -
Actual return on assets	(5,190)	4,901		
Employer contribution	9,977	956	105	64
Benefits paid	(4,301)	(2,839)	(105)	(64)
Other	<u>(399)</u>	<u>(241)</u>		
Fair value of Plan assets at end of year	<u>\$37,102</u>	<u>\$ 37,014</u>	<u>-</u>	<u>\$ -</u>
Funded status	\$(14,656)	\$(16,067)	\$ (681)	\$ (591)
Unrecognized transition obligation	9,045	9,648	(208)	(222)
Unrecognized prior service cost	(548)	(579)	(29)	(15)
Unrecognized deferred gain (loss)	2,538	(1,956)	(56)	(229)
Other	<u>760</u>			
Net amount recognized	<u>\$(2,861)</u>	<u>\$ (8,954)</u>	<u>\$(974)</u>	<u>\$ (1,057)</u>

Amounts recognized in the statement of admitted assets, liabilities, capital, and surplus at December 31, 2008 and 2007 consist of:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Accrued benefit cost	\$(2,861)	\$ (8,954)	\$ (974)	\$ (1,057)
Additional minimum pension liability charged to net assets	<u>(1,968)</u>			
Net amount recognized	<u>\$(4,829)</u>	<u>\$ (8,954)</u>	<u>\$(974)</u>	<u>\$ (1,057)</u>

Benefit obligation for non-vested employees at December 31, 2008 and 2007 is as follows:

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Total non-vested benefit obligation	\$922,073	\$ 943	\$ 149	\$ 115

A summary of the components of net periodic benefit cost at December 31, 2008 and 2007 is as follows (dollars in thousands):

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Service cost	\$ 3,851	\$ 4,386	\$ 33	\$ 48
Interest cost	3,330	3,034	37	34
Expected return on assets	(3,054)	(2,762)		
Net amortization and deferral	<u>518</u>	<u>612</u>	<u>(48)</u>	<u>(48)</u>
Net periodic benefit cost	<u>\$ 4,645</u>	<u>\$ 5,270</u>	<u>\$ 22</u>	<u>\$ 34</u>

NOTES TO FINANCIAL STATEMENTS

A summary of other assumptions at December 31, 2008 and 2007 is as follows (dollars in thousands):

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	2008	2007	2008	2007
Weighted average assumptions:				
Net periodic benefit obligation:				
Discount rate	6.55 %	6.55 %	8.50 %	6.55 %
	Age-Related	Age-Related		
Rate of compensation increases	Salary Scale	Salary Scale	N/A	N/A
Net periodic benefit cost:				
Discount rate	6.05	6.05	6.55	6.05
Expected return on plan assets	8.50	8.50	N/A	N/A
Rate of compensation increases	Age-Related	Age-Related	N/A	N/A
	Salary Scale	Salary Scale		
Benefits paid	\$ (4,301)	\$ (2,839)	\$(105)	\$ (64)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits	Postretirement Benefits	Annual Subsidy
2009	\$ 5,480,000	\$ 70,000	\$ 20,000
2010	6,120,000	80,000	20,000
2011	4,810,000	80,000	30,000
2012	7,010,000	80,000	30,000
2013	6,170,000	80,000	30,000
Years 2014 through 2018	31,550,000	340,000	250,000
Significant assumptions used in valuing the postretirement health care obligations at December 31, 2008 and 2007 include:			

	2008	2007
Medical inflation rate	varies then scaled to 5% over six years	varies then scaled to 5% over six years
Pharmaceutical inflation rate	11% then scaled to 5% over six years	12.% then scaled to 5% over six years

The Corporation is expected to make a \$70,000 contribution to the postretirement health care plan in 2009.

A 1% increase in the assumed medical rate of inflation would increase the accumulated postretirement benefit obligation by .5% and decrease the net periodic cost by 4.2%. A 1% decrease in the assumed medical rate of inflation would decrease the accumulated postretirement benefit obligation by .4% and increase the net periodic cost by 3.9%.

13. CAPITAL AND SURPLUS, SHAREHOLDERS' DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS.

- A. The Corporation has no common stock.
- B. The Corporation has no preferred stock.
- C. The Corporation has no restrictions on unassigned funds (surplus).
- D. The Corporation holds 1,500,000 shares of AHLIC stock with a par value of \$1,500,000 and 50,000 shares of HAP Preferred, Inc. with a par value of \$50,000.
- E. The Corporation has no surplus notes outstanding.
- F. The Corporation has no quasi-reorganization to report.
- G. The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses is \$(13,776,000) .

NOTES TO FINANCIAL STATEMENTS

14. CONTINGENCIES

- A. Contingent Commitments - The Corporation has none to report.
- B. Assessments - The Corporation has none to report.
- C. Gain Contingencies - The Corporation has none to report.
- D. Claims related extra contractual obligation and bad faith losses stemming from lawsuits - The Corporation has none to report.
- E. All Other Contingencies - The Corporation is party to lawsuits incident to the operations. Management believes that the ultimate disposition of such contingencies will not have a material effect on the accompanying financial statements.

15. LEASES

- A. The Corporation has a capital lease agreement for its headquarters building. The net book value of the building at December 31, 2008 is \$1,429,000 . The capital lease obligation requires payments in future years as follows (dollars in thousands):

2009	\$60
2010	60
2011	60
2012	60
2013	60
Later years	645
Total minimum lease payments	945
Less interest at an average annual interest rate of 8.25%	419
Present value of obligations under capitalized lease, including \$17 due within one year	526

- B. The Corporation has operating leases for office facilities and equipment. These leases, in some instances, are renewable at the option of the Corporation.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at January 1, 2009 (dollars in thousands):

Year Ending December 31

2009	\$1,632
2010	1,632
2011	1,778
2012	1,778
2013	893
Later years	-0-
Total minimum payments required	\$ 7,713

The total rental expense for all operating leases, except those with terms of a month or less amounted to \$1,313,000 and \$1,264,000 for the years ended December 31, 2008 and 2007, respectively. A portion of the annual rent expense is allocated to an affiliated subsidiary each year.

The Corporation is not involved in any material sales-leaseback transactions.

- C. The Corporation does not have any significant business activities as a lessor. The Company is also not involved in any leveraged leases.

16. INFORMATION ABOUT FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND FINANCIAL INSTRUMENTS WITH CONCENTRATIONS OF CREDIT RISK

- A. The Corporation does not hold any financial instruments with off-balance sheet risk.

17. SALE, TRANSFER AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

- A-B. The Corporation has not transferred any receivables or financial assets.
- C. The Corporation does not have any wash sales.



## NOTES TO FINANCIAL STATEMENTS

### 18. GAIN OR LOSS TO THE ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

- A. ASO Plans - Not applicable
- B. ASC Plans - Not applicable
- C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Pursuant to its contract with the Centers for Medicare & Medicaid Services(CMS), as a plan sponsor the Corporation offers Medicare Part D prescription drug insurance coverage. In accordance with the CMS contract, the Corporation receives subsidy amounts for reinsurance and for cost sharing related to low income individuals. These amounts are recorded as liabilities for amounts held under uninsured plans and offset medical costs when paid. The Corporation does not recognize premium revenue or claims expense for these subsidies as it does not incur any risk with this part of the Medicare Part D program.

The Corporation has a recorded receivable from CMS in the amount of \$95,000 for uninsured accident and health plans.

The Corporation has no recorded allowances and reserves for adjustment of recorded revenues.

The Corporation has made no adjustment to revenue resulting from audit of receivables related to revenues recorded in the prior period.

### 19. DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

The Corporation does not have any managing general agents or third party administrators.

### 20. OTHER ITEMS

- A. Extraordinary Items - the Corporation has none to report.
- B. Troubled Debt Restructuring - the Corporation has none to report.
- C. Other Disclosures

Statutory Reserve: As a condition of licensure with the State of Michigan, the Corporation maintains a deposit of \$1,000,000 in a segregated account. These funds can only be used by the Corporation at the direction of the Insurance Commissioner of the State of Michigan. These funds are invested in a money market fund (stated at fair value). Interest on these funds accrues to the Corporation.

Stop Loss/Out-of-Network Reserve: During 2003, the Corporation established a trust in the amount of \$12,000,000 for the sole benefit of subscribers and enrollees, to cover catastrophic exposure for members where HAP retains risk for health care services, which exceed \$500,000 per occurrence and, in the event of insolvency, to cover services provided to members by noncontracted providers. The funds are maintained in compliance with an agreement with the Insurance Commissioner for the State of Michigan and can only be used by the Corporation at the direction of the Insurance Commissioner. The funds are invested in a money market fund (stated at fair value) and interest on these funds accrues to the Corporation.

As of December 31, 2008, HAP had \$38,137,774 invested in the Reserve Primary Fund.

During September, the Reserve Primary Fund's value dropped below \$1 per share due to the collapse of Lehman Bros., which accounted for less than 2% of the investment base of the Fund. The Reserve Primary Fund filed for a suspension of all rights of redemption with the Securities and Exchange Commission to enable the Fund to be liquidated in an orderly fashion for all shareholders. The Securities Valuation Office downgraded the Reserve Primary Fund from its Class I status as of September 30, 2008 and HAP now classifies the fund as common stock and nonadmits the investment.

HAP recorded a realized loss of \$2,975,757 through December 31, 2008 on the Reserve Primary Fund.

Subsequent to December 31, 2008, HAP received an additional \$12,892,029 in distributions from the Reserve Primary Fund. To date HAP has received \$166,109,829 in distributions from the fund.

- D. At December 31, 2008 and December 31, 2007 the Company had admitted assets of \$15,156,000 and \$16,574,000, respectively, in Uncollected Premiums. The Company routinely assesses the collectibility of these receivables. Based upon Company experience, less than 1% of the balance may become uncollectible and the potential loss is not material to the Company's financial condition.

The Corporation has a receivable in the amount of \$95,000 from CMS related to uninsured accident and health plans. The Corporation has no receivables for retrospectively rated contracts.

- E. Business Interruption Insurance Recoveries - The Corporation has none to report.

NOTES TO FINANCIAL STATEMENTS

- F. State Transferable Tax Credits - The Corporation has none to report.
- G. Hybrid Securities - The Corporation has none to report.
- H. Subprime Mortgage Related Risk Exposure - The Corporation has no exposure to subprime mortgage related risk.

21. EVENTS SUBSEQUENT

The Corporation does not have any to report.

22. REINSURANCE

Not applicable.

23. RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION

- A. The Corporation estimates accrued retrospective premium adjustments related to its Medicare Advantage health insurance contracts. An estimated risk sharing receivable or payable for the CMS risk corridor provision is recognized based on activity-to-date and is accumulated at the contract level and recorded as aggregate policy reserves. Costs for prescription drugs are expensed as incurred.
- B. The Corporation records accrued retrospective premium as an adjustment to earned premium.
- C. The amount of net premiums written by the Corporation at December 31, 2008 that are subject to retrospective rating or redetermination features was \$369,384,000 million, that represented 22.3% of the total net premiums written for the Corporation. No other net premiums written by the Corporation are subject to retrospective rating features.

24. CHANGE IN INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES

Changes in actuarial estimates of claims unpaid reported as "incurred related to prior years" reflect revisions in estimates of medical cost trends and changes in claims processing patterns.

25. INTERCOMPANY POOLING ARRANGEMENTS

Not applicable.

26. STRUCTURED SETTLEMENTS

Not applicable.

27. HEALTH CARE RECEIVABLES

- A. Pharmaceutical Rebate Receivables (dollars in thousands)

These rebates are calculated using historical rebate trends and membership.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More than 180 Days after Billing
12/31/2008	1,521	1,523			
09/30/2008	1,494	1,524	1,214		
06/30/2008	1,494	1,504	1,355	234	
03/31/2008	1,036	1,375	1,698	41	66
12/31/2007	1,037	1,238	1,450	266	
09/30/2007	1,600	1,629	1,407	313	254
06/30/2007	1,613	1,691	1,685	116	139
03/31/2007	2,924	2,721	3,233	24	49
12/31/2006	2,508	2,587	2,873	154	74
09/30/2006	1,568	2,661	3,073	117	93
06/30/2006	1,571	1,783	2,051	505	383
03/31/2006	1,631	1,842	2,301	26	58

- B. Risk Sharing Receivables (dollars in thousands)

Not applicable.

NOTES TO FINANCIAL STATEMENTS

29. PARTICIPATING POLICIES

Not applicable.

30. PREMIUM DEFICIENCY RESERVES

At December 31, 2008 and 2007, the Corporation determined there was no need to establish a premium deficiency reserve.

31. ANTICIPATED SALVAGE AND SUBROGATION

The Corporation has none to report.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ NA ☐
- 1.3

State Regulating?

Michigan
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒
- 2.2

If yes, date of change:
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2006
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2006
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/24/2008
- 3.4

By what department or departments? The Michigan Office of Financial and Insurance Regulation
- 3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes ☒ No ☐ NA ☐
- 3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes ☒ No ☐ NA ☐
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes ☐ No ☒

4.12 renewals?

Yes ☐ No ☒
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes ☐ No ☒

4.22 renewals?

Yes ☐ No ☒
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒
- 5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒
- 7.2

If yes,

7.21 State the percentage of foreign control

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [   ] No [ X ]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [   ] No [ X ]
- 8.4

If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?.....

Deloitte and Touche LLP Suite 900 600 Renaissance Center Detroit MI 48243-1895
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?.....

David O Thoen FSA MAAA Deloitte and Touche LLP 400 One Financial Plaza 120 S Sixth Street Minneapolis MN 55402-1844
- 11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?.....

Yes [   ] No [ X ]

11.11

Name of real estate holding company .....

11.12

Number of parcels involved.....

11.13

Total book/adjusted carrying value.....

\$.....
- 11.2

If yes, provide explanation
12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1

What changes have been made during the year in the United States manager or the United States Trustees of the reporting entity?

Not applicable
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [   ] No [   ]
- 12.3

Have there been any changes made to any of the trust indentures during the year?

Yes [   ] No [   ]
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [   ] No [   ] NA [   ]
- 13.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [ X ] No [   ]

a.

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

b.

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

c.

Compliance with applicable governmental laws, rules and regulations;

d.

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

e.

Accountability for adherence to the code.
- 13.11

If the response to 13.1 is No, please explain:
- 13.2

Has the code of ethics for senior managers been amended?

Yes [   ] No [ X ]
- 13.21

If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [   ] No [ X ]
- 13.31

If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [ X ] No [   ]
15.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [ X ] No [   ]
16.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes [ X ] No [   ]

GENERAL INTERROGATORIES  
FINANCIAL

17

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g. Generally Accepted Accounting Principles)?

Yes [ ☐ ] No [ ☒ ]

18.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11 To directors or other officers

\$.....

18.12 To stockholders not officers

\$.....

18.13 Trustees, supreme or grand (Fraternal only)

\$.....

18.2

Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21 To directors or other officers

\$.....

18.22 To stockholders not officers

\$.....

18.23 Trustees, supreme or grand (Fraternal only)

\$.....

19.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes [ ☐ ] No [ ☒ ]

19.2

If yes, state the amount thereof at December 31 of the current year:

19.21 Rented from others

\$.....

19.22 Borrowed from others

\$.....

19.23 Leased from others

\$.....

19.24 Other

\$.....

20.1

Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments?

Yes [ ☐ ] No [ ☒ ]

20.2

If answer is yes;

20.21 Amount paid as losses or risk adjustment

\$.....

20.22 Amount paid as expenses

\$.....

20.23 Other amounts paid

\$.....

21.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [ ☒ ] No [ ☐ ]

21.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$.....0

INVESTMENT

22.1

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3)

Yes [ ☒ ] No [ ☐ ]

22.2

If no, give full and complete information, relating thereto.....

22.3

For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet, (an alternative is to reference Note 16 where this information is also provided).....

Not applicable

22.4

Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes [ ☐ ] No [ ☐ ]

22.5

If answer to 22.4 is yes, report amount of collateral.

.....

22.6

If answer to 22.4 is no, report amount of collateral.

.....

23.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3)

Yes [ ☒ ] No [ ☐ ]

23.2

If yes, state the amount thereof at December 31 of the current year:

23.21 Subject to repurchase agreements

\$.....

23.22 Subject to reverse repurchase agreements

\$.....

23.23 Subject to dollar repurchase agreements

\$.....

23.24 Subject to reverse dollar repurchase agreements

\$.....

23.25 Pledged as collateral

\$.....

23.26 Placed under option agreements

\$.....

23.27 Letter stock or securities restricted as to sale

\$.....

23.28 On deposit with state or other regulatory body

\$.....13,000,000

23.29 Other

\$.....38,137,774

23.3

For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

24.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [ ☐ ] No [ ☒ ]

24.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.

Yes [ ☐ ] No [ ☐ ] N/A [ ☒ ]

25.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [ ☐ ] No [ ☒ ]

25.2

If yes, state the amount thereof at December 31 of the current year.

\$.....

GENERAL INTERROGATORIES

26. Excluding items in Schedule E – Part 3 – Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping agreements of the NAIC *Financial Condition Examiners Handbook*?

Yes [ X ] No [ ]

26.01 For agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Comerica Bank NA.....	Detroit Michigan.....
Western Assets.....	Wilmington Delaware.....
JPMorgan Chase.....	New York New York.....
The Reserve.....	New York New York.....

26.02 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	2 Complete Explanation(s)
Not applicable.....		

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year?

Yes [ ] No [ X ]

26.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
Not applicable.....			

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
Not applicable.....	Brian Gamble.....	Detroit Michigan.....
2405849.....	Kyle Logan.....	Charlotte North Carolina.....
70923.....	Lesa McKnight.....	Chicago Illinois.....
7691.....	Susan Renaud.....	Detroit Michigan.....
110441.....	Sandy Goodman.....	Pasadena California.....
1723878.....	Joe Gaskey.....	Charlotte North Carolina.....
7691.....	Paul Youngblood.....	Detroit Michigan.....
7691.....	Brian Kerber.....	Detroit Michigan.....
Not applicable.....	Janet Koscik.....	Columbus Ohio.....

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D - Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?

Yes [ ] No [ X ]

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....		
.....		
.....		
27.2999 TOTAL		0

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....			
.....			
.....			

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds.....	209,919,221	209,919,221	0
28.2 Preferred stocks.....	0		0
28.3 Totals	209,919,221	209,919,221	0

28.4 Describe the sources or methods utilized in determining fair values:.....  
Fair values are determined by the Company's brokers and custodians whom utilize nationally recognized securities ratings organizations.....

29.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? ..... Yes [ X ] No [ ]

29.2 If no, list the exceptions:.....

OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any? \$ .....783,865

30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
America's Health Insurance Plans.....	\$.....261,673

31.1 Amount of payments for legal expenses, if any? \$ .....(228,623.0)

31.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Law Offices of Stevenson and Keppelman.....	\$.....107,714

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ .....0

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	\$.....
.....	\$.....
.....	\$.....



GENERAL INTERROGATORIES  
PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [ ] No [ X ]

1.2 If yes, indicate premium earned on U. S. business only

\$ .....0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ .....

1.31 Reason for excluding .....

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ .....

1.5 Indicate total incurred claims on all Medicare Supplement Insurance.

\$ .....0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

\$ .....0

1.62 Total incurred claims

\$ .....0

1.63 Number of covered lives

.....0

All years prior to most current three years:

1.64 Total premium earned

\$ .....0

1.65 Total incurred claims

\$ .....0

1.66 Number of covered lives

.....0

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$ .....0

1.72 Total incurred claims

\$ .....0

1.73 Number of covered lives

.....0

All years prior to most current three years:

1.74 Total premium earned

\$ .....0

1.75 Total incurred claims

\$ .....0

1.76 Number of covered lives

.....0

2. Health Test:

		1		2
		Current Year		Prior Year
2.1	Premium Numerator	\$ .....1,655,116,487	\$	.....1,611,524,843
2.2	Premium Denominator	\$ .....1,655,116,487	\$	.....1,611,524,843
2.3	Premium Ratio (2.1/2.2)	.....1.000		.....1.000
2.4	Reserve Numerator	\$ .....113,688,014	\$	.....116,195,461
2.5	Reserve Denominator	\$ .....113,688,014	\$	.....116,195,461
2.6	Reserve Ratio (2.4/2.5)	.....1.000		.....1.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, and if the earnings of the reporting entity permits?

Yes [ ] No [ X ]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [ X ] No [ ]

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [ X ] No [ ]

5.1 Does the reporting entity have stop-loss reinsurance?

Yes [ ] No [ X ]

5.2 If no, explain:

The Company maintains a stop/loss out of network reserve in compliance with an agreement with the Insurance Commissioner of the State of Michigan

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical

\$.....

5.32 Medical Only

\$.....

5.33 Medicare Supplement

\$.....

5.34 Dental and vision

\$.....

5.35 Other Limited Benefit Plan

\$.....

5.36 Other

\$.....

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

Please see Attachment D

7.1 Does the reporting entity set up its claim liability for provider services on a service data base?

Yes [ X ] No [ ]

7.2 If no, give details:

8. Provide the following Information regarding participating providers:

8.1 Number of providers at start of reporting year

.....8,084

8.2 Number of providers at end of reporting year

.....8,372

9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes [ ] No [ X ]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

.....

9.22 Business with rate guarantees over 36 months

.....

GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract?

Yes ☒ No ☐

10.2 If yes:

10.21 Maximum amount payable bonuses

10.22 Amount actually paid for year bonuses

10.23 Maximum amount payable withholds

10.24 Amount actually paid for year withholds

\$

\$

\$15,122,694

\$9,375,788

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

11.13 An Individual Practice Association (IPA), or,

11.14 A Mixed Model (combination of above) ?

Yes ☐ No ☐

Yes ☒ No ☐

Yes ☐ No ☐

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes ☒ No ☐

11.3 If yes, show the name of the state requiring such net worth.

Michigan

11.4 If yes, show the amount required.

\$99,853,168

11.5 Is this amount included as part of a contingency reserve in stockholders equity?

Yes ☐ No ☒

11.6 If the amount is calculated, show the calculation.

The greater of 4% of premiums or 200% of the authorized control level risk based capital is reported as the Company's minimum capital requirement

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Arenac County.....
Bay County.....
Clare County.....
Genessee County.....
Gladwin County.....
Gratiot County.....
Huron County.....
Iosco County.....
Isabella County.....
Lapeer County.....
Livingston County.....
Macomb County.....
Midland County.....
Monroe County.....
Oakland County.....
Ogemaw County.....
Roscommon County.....
Saginaw County.....
Sanilac County.....
St Clair County.....
Tuscola County.....
Washtenaw County.....
Wayne County.....

FIVE - YEAR HISTORICAL DATA

	1 2008	2 2007	3 2006	4 2005	5 2004
<b>Balance Sheet</b> (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26) .....	323,229,153	402,538,985	393,976,048	347,709,889	356,085,177
2. Total liabilities (Page 3, Line 22) .....	147,005,180	163,638,385	151,623,795	126,936,579	139,597,457
3. Statutory surplus .....		1,000,000	1,000,000	1,000,000	1,000,000
4. Total capital and surplus (Page 3, Line 31) .....	176,223,972	238,900,600	242,352,253	220,773,309	216,487,720
<b>Income Statement</b> (Page 4)					
5. Total revenues (Line 8) .....	1,655,100,868	1,611,533,163	1,587,239,857	1,507,239,774	1,442,031,879
6. Total medical and hospital expenses (Line 18) .....	1,516,796,475	1,477,548,298	1,444,264,594	1,373,356,695	1,300,059,561
7. Claims adjustment expenses (Line 20) .....	15,319,452	14,380,243	14,472,835	17,408,413	20,687,340
8. Total administrative expenses (Line 21) .....	100,529,482	99,402,501	95,252,446	96,030,520	99,711,083
9. Net underwriting gain (loss) (Line 24) .....	22,455,460	20,202,121	33,249,982	20,444,146	21,573,895
10. Net investment gain (loss) (Line 27) .....	(3,128,424)	15,145,125	15,223,380	13,199,245	9,688,533
11. Total other income (Lines 28 plus 29) .....	148,929	540,896	418,350	569,742	699,604
12. Net income (loss) (Line 32) .....	19,475,964	35,888,141	48,891,712	34,213,133	31,962,032
<b>Cash Flow</b> (Page 6)					
13. Net cash from operations (Line 11).....	31,578,231	62,785,348	89,788,926	8,127,578	54,064,028
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital.....	176,223,972	239,594,959	242,856,420	221,043,306	216,487,720
15. Authorized control level risk-based capital .....	49,926,584	53,569,702	50,846,360	42,249,380	38,476,482
<b>Enrollment</b> (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7) .....	383,405	400,317	430,864	449,656	460,919
17. Total member months (Column 6, Line 7) .....	4,689,473	4,882,616	5,268,071	5,446,041	5,561,745
<b>Operating Percentage</b> (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus 19) .....	91.6	91.7	91.0	91.1	90.2
20. Cost containment expenses .....	0.4	0.4	0.5	0.5	0.5
21. Other claims adjustment expenses .....	0.5	0.4	0.5	0.6	0.9
22. Total underwriting deductions (Line 23) .....	98.6	98.7	97.9	98.6	98.5
23. Total underwriting gain (loss) (Line 24) .....	1.4	1.3	2.1	1.4	1.5
<b>Unpaid Claims Analysis</b>					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5) .....	94,779,071	93,140,154	64,680,852	93,222,829	73,521,974
25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)] .....	111,817,594	100,063,277	83,643,929	101,329,034	83,634,477
<b>Investments In Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 25, Col. 1) .....	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1) .....	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 53, Col. 1) .....	14,708,107	24,289,575	25,693,822	26,702,976	40,893,294
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10) .....	0	0	0	0	0
30. Affiliated mortgage loans on real estate .....		0	0	0	0
31. All other affiliated .....		275,769	0	0	0
32. Total of above Lines 26 to 31 .....	14,708,107	24,565,344	25,693,822	26,702,976	40,893,294

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

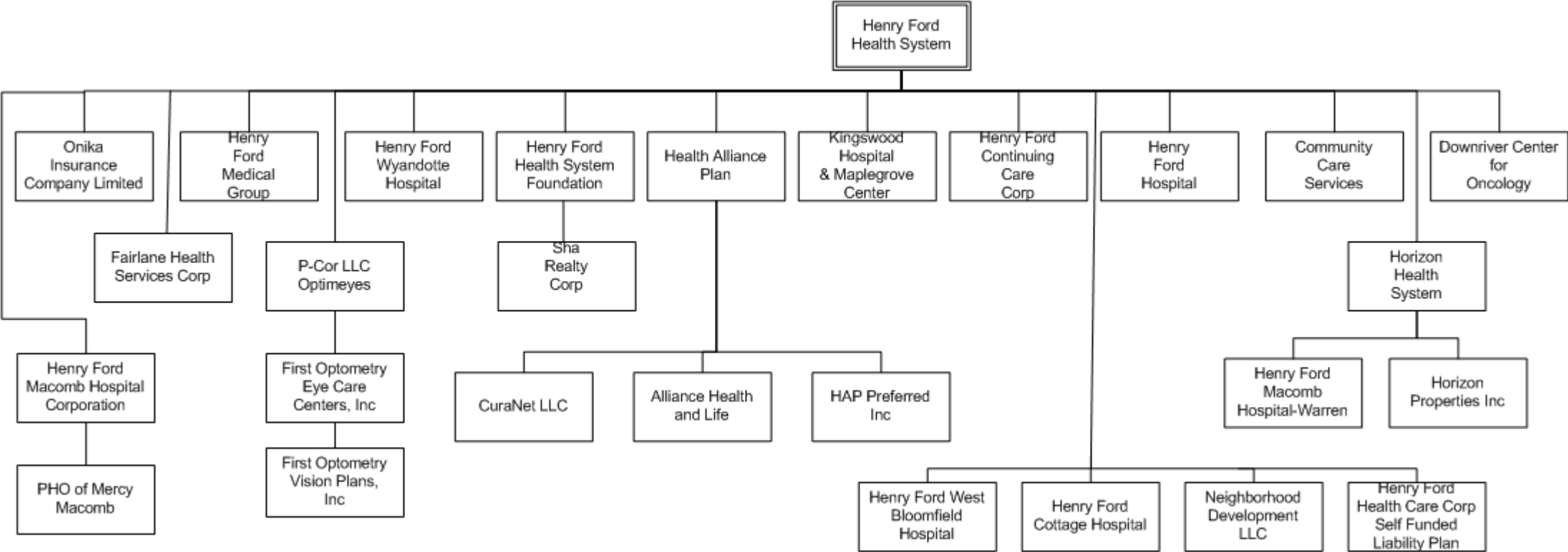
		1	Direct Business Only							
			2	3	4	5	6	7	8	9
States, Etc.		Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefit Program Premiums	Life & Annuity Premiums & Other Considerations	Property/Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama	AL	N							0	0
2. Alaska	AK	N							0	0
3. Arizona	AZ	N							0	0
4. Arkansas	AR	N							0	0
5. California	CA	N							0	0
6. Colorado	CO	N							0	0
7. Connecticut	CT	N							0	0
8. Delaware	DE	N							0	0
9. District of Columbia	DC	N							0	0
10. Florida	FL	N							0	0
11. Georgia	GA	N							0	0
12. Hawaii	HI	N							0	0
13. Idaho	ID	N							0	0
14. Illinois	IL	N							0	0
15. Indiana	IN	N							0	0
16. Iowa	IA	N							0	0
17. Kansas	KS	N							0	0
18. Kentucky	KY	N							0	0
19. Louisiana	LA	N							0	0
20. Maine	ME	N							0	0
21. Maryland	MD	N							0	0
22. Massachusetts	MA	N							0	0
23. Michigan	MI	L	1,279,811,896	282,398,322		86,986,166			1,649,196,384	0
24. Minnesota	MN	N							0	0
25. Mississippi	MS	N							0	0
26. Missouri	MO	N							0	0
27. Montana	MT	N							0	0
28. Nebraska	NE	N							0	0
29. Nevada	NV	N							0	0
30. New Hampshire	NH	N							0	0
31. New Jersey	NJ	N							0	0
32. New Mexico	NM	N							0	0
33. New York	NY	N							0	0
34. North Carolina	NC	N							0	0
35. North Dakota	ND	N							0	0
36. Ohio	OH	N							0	0
37. Oklahoma	OK	N							0	0
38. Oregon	OR	N							0	0
39. Pennsylvania	PA	N							0	0
40. Rhode Island	RI	N							0	0
41. South Carolina	SC	N							0	0
42. South Dakota	SD	N							0	0
43. Tennessee	TN	N							0	0
44. Texas	TX	N							0	0
45. Utah	UT	N							0	0
46. Vermont	VT	N							0	0
47. Virginia	VA	N							0	0
48. Washington	WA	N							0	0
49. West Virginia	WV	N							0	0
50. Wisconsin	WI	N							0	0
51. Wyoming	WY	N							0	0
52. American Samoa	AS	N							0	0
53. Guam	GU	N							0	0
54. Puerto Rico	PR	N							0	0
55. U.S. Virgin Islands	VI	N							0	0
56. Northern Mariana Islands	MP	N							0	0
57. Canada	CN	N							0	0
58. Aggregate Other Alien	OT	XXX	0	0	0	0	0	0	0	0
59. Subtotal		XXX	1,279,811,896	282,398,322	0	86,986,166	0	0	1,649,196,384	0
60. Reporting entity contributions for Employee Benefit Plans		XXX	5,920,103						5,920,103	
61. Total (Direct Business)	(a)	1	1,285,731,999	282,398,322	0	86,986,166	0	0	1,655,116,487	0
DETAILS OF WRITE-INS										
5801.		XXX							0	
5802.		XXX							0	
5803.		XXX							0	
5898. Summary of remaining write-ins for Line 58 from overflow page		XXX	0	0	0	0	0	0	0	
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)		XXX	0	0	0	0	0	0	0	

Explanation of basis of allocation by states, premiums by state, etc.: Premiums are allocated based upon the resident state of the member

(a) Insert the number of L responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



# ALPHABETICAL INDEX

([http://www.naic.org/committees\\_e\\_app\\_blanks.htm](http://www.naic.org/committees_e_app_blanks.htm))

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